



Global Overview

Equity markets advance

Global equities advanced last week on a combination of strong liquidity, merger and acquisitions activity, healthy corporate profits and hopes of a soft economic landing in the US.

UK interest rates

UK interest rates hit a five year high following the Bank of England's decision to increase its main rate by 0.25% to 5%. Firm economic growth, rapid growth in money supply and higher inflation data were the key reasons behind the move.

Economic News

There were hawkish comments from the President of the ECB, Jean-Claude Trichet on interest rates last week. Mr Trichet said the ECB would look at the use of money supply data as well as inflation data in interest rate decision making.

Oil prices

Oil finished just below \$60 per barrel after gaining 0.8% over the week. This was following the International Energy Agency's report which stated that they expected demand to increase substantially over the next three months compared to the last quarter.

Market	Index	Year to Date Return 31.12.05 to 10.11.06		1 Week Return 3.11.06 to 10.11.06	
		Local Currency %	Euro %	Local Currency %	Euro %
US	S&P 500	10.6	1.8	1.2	0.1
US	NASDAQ	8.4	-0.3	2.5	1.3
Europe	FT/S&P Europe Ex. U.K.	16.2	16.2	1.5	1.5
Ireland	ISEQ	17.9	17.9	1.7	1.7
UK	FTSE 100	10.5	13.2	1.0	0.5
Japan	Topix	-4.2	-11.4	-2.3	-2.9
Hong Kong	Hang Seng	27.0	16.5	0.8	-0.5
Australia	S&P/ASX 200	14.1	9.9	0.1	-1.4
Bonds	Merrill Lynch Euro over 5 year Govt.	-0.1	-0.1	0.6	0.6

Equities



USA

Overview

US equity markets recorded gains last week despite the Democratic successes in the US mid-term elections. The pharmaceuticals sector was, however, hit following Democratic comments that they will push for lower prices and changes to drug regulations.

Key Movers

Four Seasons – The share price of the luxury hotel chain increased by 28% to almost \$82 following the announcement of a private bid of \$3.7bn for the chain.

Merck – Following concern that the Democrats have an eye on lowering prescription drug prices, pharmaceutical company Merck fell 5% over the week to almost \$43.



Europe

Overview

European markets performed strongly last week with industrial engineering and utilities sectors leading the way.

AstraZeneca – The pharmaceutical sector underperformed due to the knock-on effect from the US. AstraZeneca's share price dropped by just over 6% over the week.

EADS – The parent company of Airbus reported a third-quarter operating loss, however, shares gained 3% to just over €21 after the company announced a 14% growth in third quarter sales.



Ireland

Ryanair – The no-frills airline gained 5% over the week to €9.42 following the announcement that it has increased its full-year profit target.

C&C – C&C fell by 4% last week as new figures indicated that its successful Magners cider brand was not performing as well in the UK as had been expected. The share price is up 119% year to date.

Allied Irish Bank – AIB's share price rose by 4% last week as momentum remains strong across the group. There was also good results from Poland due to impressive loan growth.



Asia Pacific

Australia – Australia and New Zealand both hit all-time highs over the past week. Resource stocks were boosted by strong energy and metal prices while carmakers and technology companies were lifted by optimism on the US economic outlook.

Toyota – Following newspaper reports that Toyota would be the first company to report annual operating profits in excess of ¥2,000bn, their share price rose by 1%.

Bonds

Eurozone bonds rallied last week following disappointing economic data from France which gave investors a reason to buy safe haven assets. The Merrill Lynch >5 year bond index rose by 0.6% last week.

Global Outlook

- Growth expectations remain at high levels with global GDP forecast to expand robustly again in 2006, although leading indicators suggest some growth moderation in 2007. The major central banks continue to focus on cyclical inflation pressures stemming from strong growth and high oil prices.
- As expected, the Fed left rates unchanged at 5.25% at its meeting last month. Investors now believe that interest rates have peaked for this cycle. However, this expectation remains dependent on a slowing in the growth rate and no further acceleration in inflation. Market expectations for early rate cuts may have to be pared back further, given the cautious Fed comments in this regard.
- As expected, the ECB recently raised rates to 3.25% and confirmed market expectations of a further rise to 3.5% before year end. It gave little indication of its plans for 2007 although the tone of ECB rhetoric continues to be hawkish overall. Bonds have performed well on the back of better inflation data, some indications that global growth might peak this year and the peaking of US short rates.
- Equity markets still remain reasonably supported by a strong earnings' background and favourable valuations relative to bonds; tighter liquidity conditions from higher interest rates continue to be a concern and periods of volatility are likely. In the recent period, positive sentiment towards equities has been boosted by the sharp fall in energy prices from the Summer peak and the surge in merger & acquisition activity.
- Currently, the funds are close to neutral in bonds and slightly overweight equities versus the manager average. Sectorwise, the funds are overweight industrials but other positions continue to be pretty balanced. Geographically, the funds are overweight in Europe, underweight Ireland and the US and more neutral in the other regions.